

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Sims Township	County Arenac
Audit Date March 31, 2004	Opinion Date May 25, 2004	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

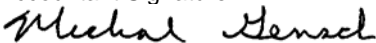
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable boxes for each item below.

- ☒ yes ☐ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL: 129/91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal financial assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name) Yeo & Yeo, P.C.			
3023 Davenport	City Saginaw	State MI	ZIP 48605
Accountant Signature 			

Township of Sims
Arenac County, Michigan
Annual Financial Statements
and
Auditors' Report
March 31, 2005

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Township of Sims
List of Elected and Appointed Officials
March 31, 2005

Township Board

Timothy Roche - Supervisor

Marcella Prueter - Treasurer

Wanda Boley - Clerk

Nancy Hill - Trustee

John Hoppe-Trustee



3023 Davenport
Saginaw, MI 48602
Phone (989) 793-9830 / (800) 968-0010
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Independent Auditors' Report

To the Township Board
Township of Sims
Au Gres, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Township of Sims as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of Township of Sims as of March 31, 2005 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township Board has implemented a new reporting model as required by the provisions of the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments* and Governmental Accounting Standards Board Statement No. 38, *Certain Financial Statement Note Disclosures*, as of April 1, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2005 on our consideration of the Township of Sims internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison information identified in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Township of Sims' basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Township has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not a required part of, the basic financial statements.

Yeo & Yeo, P.C.

May 23, 2005
Saginaw, Michigan

Township of Sims
Statement of Net Assets
March 31, 2005

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 546,266	\$ 349,542	\$ 895,808
Certificates of deposit	206,027	-	206,027
Receivables			
Taxes	25,040	-	25,040
Customers	-	34,432	34,432
Special assessments	-	1,617,591	1,617,591
Other	5,659	6,356	12,015
Due from other units of government	11,201	-	11,201
Restricted assets			
Cash and cash equivalents	-	447,346	447,346
Certificates of deposit	-	65,146	65,146
Capital assets, net	73,263	-	73,263
Investment in Sims-Whitney Utilities Authority	-	3,731,072	3,731,072
Total assets	<u>867,456</u>	<u>6,251,485</u>	<u>7,118,941</u>
Liabilities			
Accounts payable	3,050	5,932	8,982
Accrued and other liabilities	-	27,895	27,895
Due to other units of government	667	-	667
Noncurrent liabilities			
Due within one year	-	147,756	147,756
Due in more than one year	-	2,272,188	2,272,188
Total liabilities	<u>3,717</u>	<u>2,453,771</u>	<u>2,457,488</u>
Net Assets			
Invested in capital assets, net of related debt	73,263	1,283,233	1,356,496
Restricted for:			
Transfer station	56,176	-	56,176
Unrestricted	<u>734,300</u>	<u>2,514,481</u>	<u>3,248,781</u>
Total net assets	<u>\$ 863,739</u>	<u>\$ 3,797,714</u>	<u>\$ 4,661,453</u>

See Accompanying Notes to Financial Statements

Township of Sims
Statement of Activities
For the Year Ended March 31, 2005

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities							
General government	\$ 103,864	\$ 33,574	\$ -	\$ -	\$ (70,290)	\$ -	\$ (70,290)
Public safety	140,125	1,127	-	-	(138,998)	-	(138,998)
Public works	158,914	44,558	1,918	-	(112,438)	-	(112,438)
Community and economic development	6,569	-	-	-	(6,569)	-	(6,569)
Recreation and culture	2,000	-	-	-	(2,000)	-	(2,000)
Total governmental activities	<u>411,472</u>	<u>79,259</u>	<u>1,918</u>	<u>-</u>	<u>(330,295)</u>	<u>-</u>	<u>(330,295)</u>
Business-type activities							
Water	<u>278,416</u>	<u>261,896</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,520)</u>	<u>(16,520)</u>
Total primary government	<u>\$ 689,888</u>	<u>\$ 341,155</u>	<u>\$ 1,918</u>	<u>\$ -</u>	<u>(330,295)</u>	<u>(16,520)</u>	<u>(346,815)</u>
General revenues							
Property taxes					279,688	114,722	394,410
State shared revenue					73,310	-	73,310
Unrestricted investment earnings					6,786	8,231	15,017
Miscellaneous					<u>47,804</u>	<u>-</u>	<u>47,804</u>
Total general revenues and transfers					<u>407,588</u>	<u>122,953</u>	<u>530,541</u>
Change in net assets					<u>77,293</u>	<u>106,433</u>	<u>183,726</u>
Net assets - beginning of year					632,812	3,679,979	4,312,791
Prior period adjustment					<u>153,634</u>	<u>11,302</u>	<u>164,936</u>
Net assets - beginning of year (restated)					<u>786,446</u>	<u>3,691,281</u>	<u>4,477,727</u>
Net assets - end of year					<u>\$ 863,739</u>	<u>\$ 3,797,714</u>	<u>\$ 4,661,453</u>

See Accompanying Notes to Financial Statements

Township of Sims
Governmental Funds
Balance Sheet
March 31, 2005

	Special Revenue Funds							Total Governmental Funds
	General	Police	Transfer Station	Mosquito	Fire	Gypsy Moth	Cemetery	
Assets								
Cash and cash equivalents	\$ 311,038	\$ 121,335	\$ 19,742	\$ 71,316	\$ -	\$ 3,461	\$ 19,374	\$ 546,266
Certificates of deposit	118,005	-	20,721	-	-	64,942	2,359	206,027
Receivables								
Taxes	9,686	5,517	-	5,015	4,822	-	-	25,040
Due from other units of government	11,201	-	-	-	-	-	-	11,201
Due from other funds	3,535	763	-	694	667	-	-	5,659
Total assets	\$ 453,465	\$ 127,615	\$ 40,463	\$ 77,025	\$ 5,489	\$ 68,403	\$ 21,733	\$ 794,193
Liabilities								
Accounts payable	\$ -	\$ -	\$ 3,050	\$ -	\$ -	\$ -	\$ -	\$ 3,050
Due to other units of government	-	-	-	-	667	-	-	667
Deferred revenue	9,686	5,517	-	5,015	4,822	-	-	25,040
Total liabilities	9,686	5,517	3,050	5,015	5,489	-	-	28,757
Fund Balances								
Reserved for:								
Building construction	6,740	-	-	-	-	-	-	6,740
Transfer station	56,176	-	-	-	-	-	-	56,176
Unreserved, reported in:								
General fund	380,863	-	-	-	-	-	-	380,863
Special revenue funds	-	122,098	37,413	72,010	-	68,403	21,733	321,657
Total fund balances	443,779	122,098	37,413	72,010	-	68,403	21,733	765,436
Total liabilities and fund balances	\$ 453,465	\$ 127,615	\$ 40,463	\$ 77,025	\$ 5,489	\$ 68,403	\$ 21,733	\$ 794,193

See Accompanying Notes to Financial Statements

Township of Sims
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds
to Net Assets of Governmental Activities
March 31, 2005

Total fund balances for governmental funds	\$ 765,436
Total net assets for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	73,263
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	<u>25,040</u>
Net assets of governmental activities	<u>\$ 863,739</u>

Township of Sims
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended March 31, 2005

	Special Revenue Funds							Governmental Funds Total
	General	Police	Transfer Station	Mosquito	Fire	Gypsy Moth	Cemetery	
Revenues								
Taxes	\$ 80,520	\$ 70,608	\$ -	\$ 64,522	\$ 62,092	\$ -	\$ -	\$ 277,742
Licenses and permits	11,904	1,127	-	-	-	-	130	13,161
State revenue sharing	73,310	-	-	-	-	-	-	73,310
Other state grants	1,918	-	-	-	-	-	-	1,918
Local contributions	-	-	35,000	-	-	-	4,000	39,000
Assessments	43,658	-	-	-	-	-	-	43,658
Charges for services	-	-	-	-	-	-	20,125	20,125
Fines and forfeitures	1,415	-	-	-	-	-	-	1,415
Interest income	3,889	710	618	121	-	1,338	111	6,787
Rental income	900	-	-	-	-	-	-	900
Other revenue	1,075	6,224	1,435	-	-	-	69	8,803
Total revenues	<u>218,589</u>	<u>78,669</u>	<u>37,053</u>	<u>64,643</u>	<u>62,092</u>	<u>1,338</u>	<u>24,435</u>	<u>486,819</u>
Expenditures								
Current								
General government	101,085	-	-	-	-	-	-	101,085
Public safety	8,033	70,000	-	-	62,092	-	-	140,125
Public works	14,170	-	67,430	59,187	-	200	17,927	158,914
Community and economic development	6,569	-	-	-	-	-	-	6,569
Recreation and culture	2,000	-	-	-	-	-	-	2,000
Total expenditures	<u>131,857</u>	<u>70,000</u>	<u>67,430</u>	<u>59,187</u>	<u>62,092</u>	<u>200</u>	<u>17,927</u>	<u>408,693</u>
Excess (deficiency) of revenues over expenditures	<u>86,732</u>	<u>8,669</u>	<u>(30,377)</u>	<u>5,456</u>	<u>-</u>	<u>1,138</u>	<u>6,508</u>	<u>78,126</u>
Other financing sources (uses)								
Transfers in	-	-	35,000	-	-	-	4,000	39,000
Transfers out	(39,000)	-	-	-	-	-	-	(39,000)
Total other financing sources and uses	<u>(39,000)</u>	<u>-</u>	<u>35,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,000</u>	<u>-</u>
Net change in fund balance	<u>47,732</u>	<u>8,669</u>	<u>4,623</u>	<u>5,456</u>	<u>-</u>	<u>1,138</u>	<u>10,508</u>	<u>78,126</u>
Fund balance - beginning of year	338,075	113,429	36,264	66,554	-	67,265	11,225	632,812
Prior period adjustment	57,972	-	(3,474)	-	-	-	-	54,498
Fund balance - beginning of year restated	<u>396,047</u>	<u>113,429</u>	<u>32,790</u>	<u>66,554</u>	<u>-</u>	<u>67,265</u>	<u>11,225</u>	<u>687,310</u>
Fund balance - end of year	<u>\$ 443,779</u>	<u>\$ 122,098</u>	<u>\$ 37,413</u>	<u>\$ 72,010</u>	<u>\$ -</u>	<u>\$ 68,403</u>	<u>\$ 21,733</u>	<u>\$ 765,436</u>

See Accompanying Notes to Financial Statements

Township of Sims
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended March 31, 2005

Net change in fund balances - Total governmental funds	\$ 78,126
Total change in net assets reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(2,779)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Property taxes	<u>1,946</u>
Change in net assets of governmental activities	<u>\$ 77,293</u>

Township of Sims
Proprietary Funds
Statement of Net Assets
March 31, 2005

	<u>Water</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 349,542
Receivables	
Customers	34,432
Special assessments, current	113,800
Due from other funds	<u>6,356</u>
Total current assets	<u>504,130</u>
Noncurrent assets	
Restricted assets	
Cash and cash equivalents	447,346
Certificates of deposit	65,146
Special assessments receivable, deferred	1,503,791
Investment in Sims-Whitney Utilities Authority	<u>3,731,072</u>
Total noncurrent assets	<u>5,747,355</u>
Total assets	<u>6,251,485</u>
Liabilities	
Current liabilities	
Accounts payable	5,932
Accrued and other liabilities	<u>27,895</u>
Total current liabilities	<u>33,827</u>
Noncurrent liabilities	
Current liabilities payable from restricted assets	147,756
Long-term debt net of current portion	<u>2,272,188</u>
Total noncurrent liabilities	<u>2,419,944</u>
Total liabilities	<u>2,453,771</u>
Net Assets	
Invested in capital assets, net of related debt	1,283,233
Unrestricted	<u>2,514,481</u>
Total net assets	<u>\$ 3,797,714</u>

See Accompanying Notes to Financial Statements

Township of Sims
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended March 31, 2005

	<u>Water</u>
Operating revenue	
Customer fees	<u>\$ 261,896</u>
Operating expenses	
Personal services	9,619
Supplies	1,655
Contractual services	14,669
Payments to Sims - Whitney Utilities	
Authority for operating purposes	125,546
Utilities	900
Other expenses	<u>10,759</u>
 Total operating expenses	 <u>163,148</u>
 Operating income	 <u>98,748</u>
Nonoperating revenue (expenses)	
Interest income	122,953
Interest expense	<u>(115,268)</u>
 Total nonoperating revenues (expenses)	 <u>7,685</u>
 Change in net assets	 <u>106,433</u>
Net assets - beginning of year	3,679,979
Prior period adjustment	<u>11,302</u>
Net assets - beginning of year restated	<u>3,691,281</u>
Net assets - end of year	<u>\$ 3,797,714</u>

See Accompanying Notes to Financial Statements

Township of Sims
Proprietary Funds
Statement of Cash Flows
For the Year Ended March 31, 2005

	Sew	Water
Cash flows from operating activities		
Receipts from customers	\$ 260,231	
Receipts from other funds		(6,356)
Payments to suppliers		(141,167)
Payments to employees		(9,619)
Net cash provided by operating activities		<u>103,089</u>
Cash flows from capital and related financing activities		
Proceeds from special assessments		128,983
Principal and interest paid on long-term debt		(262,544)
Net cash used by capital and related financing activities		<u>(133,561)</u>
Cash flows from investing activities		
Purchases of investments		(65,146)
Interest received		122,953
Net cash provided by investing activities		<u>57,807</u>
Net increase in cash and cash equivalents		27,335
Cash and cash equivalents - beginning of year		<u>769,553</u>
Cash and cash equivalents - end of year		<u><u>\$ 796,888</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities		
Operating income (loss)	\$ 98,748	
Adjustments to reconcile operating income to net cash from operating activities		
Changes in assets and liabilities		
Receivables (net)		(1,665)
Due from other funds		(6,356)
Accounts payable		5,932
Accrued and other liabilities		6,430
Net cash provided by operating activities		<u><u>\$ 103,089</u></u>

See Accompanying Notes to Financial Statements

Township of Sims
Fiduciary Funds
Statement of Net Assets
March 31, 2005

	Agency Funds
Assets	
Cash and cash equivalents	<u>\$ 39,834</u>
Liabilities	
Due to other funds	\$ 12,015
Due to other units of government	<u>27,819</u>
 Total liabilities	 <u>\$ 39,834</u>

See Accompanying Notes to Financial Statements

Township of Sims
Notes to Financial Statements
March 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

Township of Sims is governed by an elected five-member Board. The accompanying financial statements present the entities for which the government is considered to be financially accountable. The financial statements of the reporting entity include those of the Township and do not include any other component within the financial statements including the financial statements of the Au Gres – Sims Police Board and the Au Gres – Sims Fire Department which operate autonomously under an intergovernmental service agreement and are considered jointly governed organizations.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. *Government activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. Separate financial statements are provided for governmental funds,

proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments

Township of Sims
Notes to Financial Statements
March 31, 2005

receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Police Fund accounts for the revenue and expenditures for the government's police protection.

The Transfer Station Fund accounts for the revenue and expenditures for the government's refuse collection.

The Mosquito Fund accounts for the revenue and expenditures for the government's spraying and prevention of mosquitoes.

The Fire Fund accounts for the revenue and expenditures for the government's fire protection.

The Gypsy Moth Fund accounts for the revenue and expenditures for the government's spraying and prevention of gypsy moths.

The Cemetery Fund accounts for the revenue and expenditures for the government's cemetery.

The government reports the following major proprietary fund:

The Water Fund accounts for the activities of the water distribution system that are organized to be self-supporting through user charges.

Additionally, the government reports the following:

Agency Fund and Current Tax Collection Fund accounts for property tax and other deposits collected on behalf of other units and individuals.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in

Township of Sims
Notes to Financial Statements
March 31, 2005

connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the government Enterprise Fund are charges to customers for sales and services. The government also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, liabilities, and net assets or equity

Deposits and investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

The 2004 taxable valuation of the government totaled \$ 64,889,558, on which ad valorem taxes consisted of 3.8219 mills for operating purposes. This resulted in \$ 247,980 for operating expenses, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

Restricted assets – certain debt covenants, are required to establish and maintain prescribed amounts of resources, including cash and cash equivalents and special assessments receivable that can be used only to service outstanding debt obligations. These amounts have been classified as restricted investments.

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$ 1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Machinery and equipment	3 to 7 years

Long-term obligations – In the proprietary fund types in the fund financial statements, long-term debt is reported as liabilities in the

Township of Sims
Notes to Financial Statements
March 31, 2005

applicable business-type activities or proprietary fund type statement of net assets. Premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the contracts using the effective interest method. Contracts payable are reported net of the applicable premium or discount. Issuance costs are reported as deferred charges and amortized over the term of the related debt.

Fund equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purposes. Designations of fund balance represent tentative management plans that are subject to change.

Comparative data

Comparative data is not included in the Township's financial statements.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information

The Township is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are required to be adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. In the current year no budgets were adopted for the police, mosquito, fire, and gypsy moth funds. All annual appropriations lapse at fiscal year end.

Prior to March 31, the Township Supervisor submits to the Township board a proposed operating budget for the fiscal year commencing on April 1. Public hearings are obtained to obtain taxpayer comments and the budget is legally enacted through passage of an ordinance prior to March 31.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The Township Clerk is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the Township Board.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

NOTE 3 - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91 authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States. United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The governing body has designated three banks for the deposit of local unit funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory authority as listed above.

Township of Sims
Notes to Financial Statements
March 31, 2005

	Cash and Cash Equivalents	Certificates of Deposit	Restricted Cash and Cash Equivalents	Restricted Certificates of Deposit
Governmental activities	\$ 546,266	\$ 206,027	\$ -	\$ -
Business-type activities	<u>349,542</u>	<u>-</u>	<u>447,346</u>	<u>65,146</u>
Total primary government	895,808	206,027	447,346	65,146
Fiduciary funds	<u>39,834</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 935,642</u>	<u>\$ 206,027</u>	<u>\$ 447,346</u>	<u>\$ 65,146</u>

The breakdown between deposits and investments is as follows:

	Primary Government	Fiduciary Funds
Bank deposits (checking and savings accounts, certificates of deposit)	\$ 455,112	\$ 39,834
Investments in securities, money markets and similar vehicles	<u>1,159,215</u>	<u>-</u>
	<u>\$ 1,614,327</u>	<u>\$ 39,834</u>

Deposits

The bank balance was \$ 1,656,017 at year end. Of the bank balance, \$ 313,461 was covered by federal depository insurance and \$ 1,342,556 was uninsured and uncollateralized.

Investments

Investments are classified into three categories to give an indication of the level of risk assumed by the government. Category 1 includes investments that are insured or registered or for which the securities are held by the government or its agency in the government's name.

Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agency in the government's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the government's name.

At year-end, the Township has money markets of \$ 1,159,215 which are not categorized.

NOTE 4 - DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Primary government		
Property taxes	<u>\$ 25,040</u>	<u>\$ -</u>

Township of Sims
Notes to Financial Statements
March 31, 2005

NOTE 5 - CAPITAL ASSETS

Capital assets activity of the primary government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 12,501	\$ -	\$ -	\$ 12,501
Capital assets being depreciated				
Buildings, additions and improvements	104,325	-	-	104,325
Less accumulated depreciation for				
Buildings, additions and improvements	40,784	2,779	-	43,563
Net capital assets being depreciated	63,541	(2,779)	-	60,762
Governmental activities capital assets, net	\$ 76,042	\$ (2,779)	\$ -	\$ 73,263
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets being depreciated				
Machinery and equipment	\$ 4,266	\$ -	\$ -	\$ 4,266
Less accumulated depreciation for				
Machinery and equipment	4,266	-	-	4,266
Net capital assets being depreciated	-	-	-	-
Business-type capital assets, net	\$ -	\$ -	\$ -	\$ -

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities	
General government	\$ 2,779

NOTE 6 - INTERFUND RECEIVABLES, PAYABLE, AND TRANSFERS

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Agency	\$ 3,535
Police	Agency	763
Fire	Agency	667
Mosquito	Agency	694
Water	Agency	6,356
		<u>\$ 12,015</u>

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

The details for interfund transfers are as follows:

<u>Funds Transferred From</u>	<u>Funds Transferred To</u>	<u>Amount</u>
General	Transfer station	\$ 35,000
General	Cemetery	4,000
		<u>\$ 39,000</u>

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

Township of Sims
Notes to Financial Statements
March 31, 2005

NOTE 7 - SIMS - WHITNEY UTILITIES AUTHORITY

The Sims - Whitney Utilities Authority was formed for the purpose of providing water services to residents of Sims and Whitney Townships. Upon organization, the Authority obtained grants and loans to construct water lines in the Townships. The original loan from Farmers Home Administration amounted to \$ 1,160,000. To make payments on the loan, the Authority entered into contracts with the Townships for repayment on a yearly basis, which parallels the annual principal and interest due on the bonds. The Township of Sims' portion of the contract amounted to \$ 557,280 or 48%. The Townships have pledged their full faith and credit for the payment and are obligated to make such payments from their general funds, including ad valorem taxes, if necessary. Currently, the payments are being made through special assessments levied on the property owners involved.

The initial contract amount plus any improvements to the system by Sims Township are recorded as Investment in Sims - Whitney Utilities Authority in the Water Fund of the Township because title to the lines becomes property of the Authority.

In 1999, the Authority issued limited tax general obligation bonds in the amount of \$ 815,000. To make payments on the bonds, the Authority entered into contracts with the Townships for repayment on a yearly basis, which parallels the annual principal and interest due on the bonds. The Township of Sims' portion of the contract amounted to \$ 414,998. The Townships have pledged their full faith and credit for the payment and are obligated to make such payments. Currently, payments are being made through charges for service on the property owners involved.

Also in 1999, the Authority issued limited tax general obligation bonds in the amount of \$ 2,265,000. To make payments on the bonds, the Authority entered into a contract with the Township of Sims for

repayment on a yearly basis, which parallels the annual principal and interest due on the bonds. The Township has pledged its full faith and credit for the payment and is obligated to make such payments. Currently, the payments are being made through special assessments levied on the property owners involved.

Sims Township also pays a prorated share of the operating expenses of the Authority based on usage and other factors. The financial statements of the Authority are available by writing to the following address: P.O. Box 127, Tawas City, Michigan 48764.

Township of Sims
Notes to Financial Statements
March 31, 2005

NOTE 8 - LONG-TERM DEBT

Long-term obligation activity is summarized as follows:

	<u>Amount of Issue</u>	<u>Maturity Date</u>	<u>Interest Rate Ranges</u>	<u>Principal Maturity Ranges</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities									
Contract Payable									
1987 water line	\$ 557,280	7/1/2021	5%	\$12,480 - \$27,360	\$ 333,600	\$ -	\$ 12,000	\$ 321,600	\$ 12,480
1999A water system	414,998	10/1/2018	5%	15,276 - 30,554	338,620	-	15,276	323,344	15,276
1999B water system	2,265,000	8/1/2019	4.9% -5.9%	115,000 - 120,000	<u>1,895,000</u>	<u>-</u>	<u>120,000</u>	<u>1,775,000</u>	<u>120,000</u>
Total business-type activities					<u>\$ 2,567,220</u>	<u>\$ -</u>	<u>\$ 147,276</u>	<u>\$ 2,419,944</u>	<u>\$ 147,756</u>

Township of Sims
Notes to Financial Statements
March 31, 2005

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending March 31,	Business-type Activities	
	Principal	Interest
2006	\$ 147,756	\$ 125,536
2007	148,236	118,341
2008	154,288	110,868
2009	154,768	103,114
2010	155,248	95,196
2011-2015	802,410	350,087
2016-2020	803,958	124,616
2021-2025	53,280	2,699
	<u>\$ 2,419,944</u>	<u>\$ 1,030,457</u>

NOTE 9 - RISK MANAGEMENT

The government is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation). The government has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 10 - PENSION PLAN

The Township has a defined contribution money purchase pension plan covering all elected and appointed officials and full time employees who are at least 18 years of age and who elect coverage. New employees are enrolled as Plan participants on the first day of employment. The Plan is administered by the Township Clerk and Supervisor.

Required annual contributions to the Plan are based on 18% of each employee's annual compensation. The Township contributes 50% of the total required annual contribution and each employee contributes the other 50%. Total annual contributions are subject to the Internal Revenue Code limitations. The Township's contributions are fully vested for each employee upon entering the Plan.

The Township's payroll covered under the Plan and total payroll for the year ended March 31, 2005 was \$ 63,289. The Township's required annual contribution to the Plan was \$ 5,696, which was 9% of the current year covered payroll. Employees' required annual contributions were \$ 5,696, which was 9% of the current year covered payroll.

NOTE 11 - RELATED PARTIES

Sims Township has an intergovernmental service agreement with Au Gres - Sims Police Board and Au Gres - Sims Fire Authority. The participating communities provide annual funding for its operations. During the current year, the Township's portion was fulfilled through property taxes of \$123,366 for operations. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the year ended March 31, 2005 can be obtained from the administrative offices at: 201 N. Court, Au Gres, Michigan 48703.

NOTE 12 - CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

Township of Sims
Notes to Financial Statements
March 31, 2005

NOTE 13 - PRIOR PERIOD ADJUSTMENT

The March 31, 2004 governmental and business type financial statements have been restated to account for \$ 153,634 and \$ 11,302 of changes in net assets that were not previously recorded in the prior audit. These changes were due to the requirements of GASB 34 and the change from cash basis of accounting to accrual accounting. The following shows the effects of the restatements on the balance sheet.

	<u>Original 2004</u>	<u>Restatement</u>	<u>Restated 2004</u>
Governmental type			
Net assets - beginning of year	\$ 632,812	\$ -	\$ 632,812
Due from other units of government	-	9,899	9,899
Refuse assessment	-	48,073	48,073
Capital assets, net	-	76,042	76,042
Accounts payable	-	(3,474)	(3,474)
Deferred revenue	<u>-</u>	<u>23,094</u>	<u>23,094</u>
Net assets - beginning of year (restated)	<u>\$ 632,812</u>	<u>\$ 153,634</u>	<u>\$ 786,446</u>
Business type			
Net assets - beginning of year	\$ 3,679,979	\$ -	\$ 3,679,979
Utility receivable	-	32,767	32,767
Accrued interest	<u>-</u>	<u>(21,465)</u>	<u>(21,465)</u>
Net assets - beginning of year (restated)	<u>\$ 3,679,979</u>	<u>\$ 11,302</u>	<u>\$ 3,691,281</u>

Township of Sims
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Property taxes	\$ 50,543	\$ 50,543	\$ 52,119	\$ 1,576
Penalties and interest	1,000	1,000	1,184	184
Administration fee	20,000	20,000	27,217	7,217
Licenses and permits	8,550	8,550	11,904	3,354
State revenue sharing	54,000	54,000	73,310	19,310
State grants	500	500	1,918	1,418
Assessments	43,591	43,591	43,658	67
Fines and forfeitures	1,000	1,000	1,415	415
Interest income	2,000	2,000	3,889	1,889
Rental income	900	900	900	-
Other revenue	1,100	1,100	1,075	(25)
	<u>183,184</u>	<u>183,184</u>	<u>218,589</u>	<u>35,405</u>
Total revenues				
Expenditures				
General government				
Township board	49,600	49,600	24,203	(25,397)
Supervisor	9,100	9,100	8,100	(1,000)
Clerk	11,400	11,400	9,666	(1,734)
Audit	4,500	4,500	2,900	(1,600)
Board of review	1,330	1,330	920	(410)
Treasurer	17,650	17,650	15,756	(1,894)
Assessor	29,500	29,500	26,487	(3,013)
Elections	5,900	5,900	3,650	(2,250)
Buildings and grounds	53,000	53,000	9,403	(43,597)
	<u>181,980</u>	<u>181,980</u>	<u>101,085</u>	<u>(80,895)</u>
Total general government				
Public safety				
Police	630	630	300	(330)
Fire department	1,080	1,080	540	(540)
Building inspection department	12,300	12,300	7,193	(5,107)
	<u>14,010</u>	<u>14,010</u>	<u>8,033</u>	<u>(5,977)</u>
Total public safety				

Township of Sims
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2005

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Public works				
Drains	\$ 1,500	\$ 1,500	\$ 1,272	\$ (228)
Highways, streets and bridges	85,000	85,000	10,549	(74,451)
Street lighting	4,000	4,000	2,349	(1,651)
Sanitary land fill	60,000	60,000	-	(60,000)
Total public works	<u>150,500</u>	<u>150,500</u>	<u>14,170</u>	<u>(136,330)</u>
Community and economic development				
Planning	25,790	25,790	5,196	(20,594)
Zoning	2,400	2,400	1,373	(1,027)
Total community and economic development	<u>28,190</u>	<u>28,190</u>	<u>6,569</u>	<u>(21,621)</u>
Recreation and culture				
Parks and recreation	10,000	10,000	-	(10,000)
Library	20,000	20,000	2,000	(18,000)
Total recreation and culture	<u>30,000</u>	<u>30,000</u>	<u>2,000</u>	<u>(28,000)</u>
Other functions				
Operation contingency	45,000	45,000	-	(45,000)
Transfers out	41,500	41,500	39,000	(2,500)
Total expenditures	<u>491,180</u>	<u>491,180</u>	<u>170,857</u>	<u>(320,323)</u>
Excess (deficiency) of revenues over expenditures	<u>(307,996)</u>	<u>(307,996)</u>	<u>47,732</u>	<u>355,728</u>
Fund balance - beginning of year	338,075	338,075	338,075	-
Prior period adjustment	-	-	57,972	57,972
Fund balance - beginning of year (restated)	<u>338,075</u>	<u>338,075</u>	<u>396,047</u>	<u>57,972</u>
Fund balance - end of year	<u>\$ 30,079</u>	<u>\$ 30,079</u>	<u>\$ 443,779</u>	<u>\$ 413,700</u>

Township of Sims
Required Supplemental Information
Budgetary Comparison Schedule
Transfer Station Fund
For the Year Ended March 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local contributions	\$ 35,000	\$ 35,000	\$ 35,000	\$ -
Interest income	25	25	618	593
Other revenue	1,500	1,500	1,435	(65)
Transfers in	<u>35,000</u>	<u>35,000</u>	<u>35,000</u>	<u>-</u>
 Total revenues	 <u>71,525</u>	 <u>71,525</u>	 <u>72,053</u>	 <u>528</u>
 Expenditures				
Current				
Public works	<u>68,950</u>	<u>68,950</u>	<u>67,430</u>	<u>(1,520)</u>
 Excess of revenues over expenditures	 <u>2,575</u>	 <u>2,575</u>	 <u>4,623</u>	 <u>2,048</u>
 Fund balance - beginning of year	 36,264	 36,264	 36,264	 -
 Prior period adjustment	 <u>(3,474)</u>	 <u>(3,474)</u>	 <u>(3,474)</u>	 <u>-</u>
 Fund balance - beginning of year (restated)	 <u>32,790</u>	 <u>32,790</u>	 <u>32,790</u>	 <u>-</u>
 Fund balance - end of year	 <u><u>\$ 35,365</u></u>	 <u><u>\$ 35,365</u></u>	 <u><u>\$ 37,413</u></u>	 <u><u>\$ 2,048</u></u>

Township of Sims
Required Supplemental Information
Budgetary Comparison Schedule
Cemetery Fund
For the Year Ended March 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Licenses and permits	\$ 50	\$ 50	\$ 130	\$ 80
Local contributions	4,000	4,000	4,000	-
Charges for services	7,100	7,100	20,125	13,025
Interest income	45	45	111	66
Other revenue	-	-	69	69
Transfers in	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>	<u>-</u>
Total revenues	<u>15,195</u>	<u>15,195</u>	<u>28,435</u>	<u>13,240</u>
Expenditures				
Current				
Public works	<u>18,050</u>	<u>18,050</u>	<u>17,927</u>	<u>(123)</u>
Excess (deficiency) of revenues over expenditures	(2,855)	(2,855)	10,508	13,363
Fund balance - beginning of year	<u>11,225</u>	<u>11,225</u>	<u>11,225</u>	<u>-</u>
Fund balance - end of year	<u>\$ 8,370</u>	<u>\$ 8,370</u>	<u>\$ 21,733</u>	<u>\$ 13,363</u>

Township of Sims
Other Supplemental Information
Schedule of Indebtedness
March 31, 2005

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	Interest	Total
Water Fund	5.00%	2006	\$ 12,480	\$ 15,768	\$ 28,248
Contract payable	5.00%	2007	12,960	15,132	28,092
1987 water line	5.00%	2008	13,920	14,460	28,380
Amount of issue - \$ 557,280	5.00%	2009	14,400	13,752	28,152
	5.00%	2010	14,880	13,020	27,900
	5.00%	2011	15,840	12,252	28,092
	5.00%	2012	16,800	11,436	28,236
	5.00%	2013	17,760	10,572	28,332
	5.00%	2014	18,240	9,672	27,912
	5.00%	2015	19,200	8,736	27,936
	5.00%	2016	20,160	7,752	27,912
	5.00%	2017	21,120	6,720	27,840
	5.00%	2018	22,560	5,628	28,188
	5.00%	2019	23,520	4,476	27,996
	5.00%	2020	24,480	3,276	27,756
	5.00%	2021	25,920	2,016	27,936
	5.00%	2022	27,360	684	28,044
			<u>\$ 321,600</u>	<u>\$ 155,352</u>	<u>\$ 476,952</u>

Township of Sims
Other Supplemental Information
Schedule of Indebtedness
March 31, 2005

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	Interest	Total
Water Fund	5.00%	2006	\$ 15,276	\$ 14,815	\$ 30,091
Contract payable	5.00%	2007	15,276	14,196	29,472
1999A water system	5.00%	2008	20,368	13,456	33,824
Amount of issue - \$ 414,998	5.00%	2009	20,368	12,590	32,958
	5.00%	2010	20,368	11,704	32,072
	5.00%	2011	20,368	10,798	31,166
	5.00%	2012	20,368	9,871	30,239
	5.00%	2013	22,914	8,864	31,778
	5.00%	2014	25,460	7,714	33,174
	5.00%	2015	25,460	6,480	31,940
	5.00%	2016	25,460	5,219	30,679
	5.00%	2017	30,554	3,819	34,373
	5.00%	2018	30,552	2,291	32,843
	5.00%	2019	30,552	764	31,316
			<u>\$ 323,344</u>	<u>\$ 122,581</u>	<u>\$ 445,925</u>
Water Fund	4.90%	2006	\$ 120,000	\$ 94,953	\$ 214,953
Contract payable	5.00%	2007	120,000	89,013	209,013
1999B water system	5.10%	2008	120,000	82,952	202,952
Amount of issue - \$ 2,265,000	5.20%	2009	120,000	76,772	196,772
	5.30%	2010	120,000	70,472	190,472
	5.40%	2011	120,000	64,052	184,052
	5.50%	2012	120,000	57,512	177,512
	5.60%	2013	120,000	50,853	170,853
	5.70%	2014	120,000	44,073	164,073
	5.75%	2015	120,000	37,202	157,202
	5.80%	2016	115,000	30,417	145,417
	5.85%	2017	115,000	23,719	138,719
	5.90%	2018	115,000	16,963	131,963
	5.90%	2019	115,000	10,178	125,178
	5.90%	2020	115,000	3,393	118,393
			<u>\$ 1,775,000</u>	<u>\$ 752,524</u>	<u>\$ 2,527,524</u>



3023 Davenport
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**Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance
with Government Auditing Standards**

To the Township Board
Township of Sims
Au Gres, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Sims as of and for the year ended March 31, 2005, which collectively comprise Township of Sims' basic financial statements and have issued our report thereon dated May 23, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Township of Sims' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Township of Sims' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Township Board, management and federal awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specified parties.

Yeo & Yeo, P.C.

Saginaw, Michigan
May 23, 2005



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June 21, 2005

To the Township Board
Sims Township
Au Gres, Michigan

In planning and performing our audit of the financial statements of Sims Township for the year ended March 31, 2005, we considered the Township's internal control system to determine our auditing procedures for the purpose of expressing an opinion on the financial statements.

However, during our audit, we became aware of the following matters that provide opportunities to strengthen internal controls and operating efficiency. The following paragraphs summarize our comments on these issues. This letter does not affect our report dated May 23, 2005 on the financial statements of Sims Township.

The following is a listing of the comments from the previous year. Their status for the current year follows.

RECONCILIATION OF SPECIAL ASSESSMENTS

In the prior year a great deal of time was spent reconciling the special assessments of the Township. Our recommendation was to perform an annual reconciliation by beginning with prior years ending balance, add in current year additions and subtract out write-offs, early payoffs and annual payments, per the tax roll. In the current year all special assessments were reconciled by management. We recommend this procedure be continued to substantiate the special assessment balances.

WATER/SEWER BILLING SYSTEM

In reviewing the internal control for water billing, we found that staff have access and can make changes to customer accounts without any form of approval. This includes payments received, charges, and usage entry into the billing system. When one person enters the data, makes adjustments/modifications, and posts receipt information, this allows the person entire access and control over all functions of the system. This is a serious deficiency in the internal control system in the water department.

We strongly recommend someone be designated to receive monthly reports or listings of adjustments made to customer's accounts and review it paying close attention to the following items: recurring adjustments to the same accounts, adjustments to Township employee's accounts, other related party's accounts, and void transactions. After review, the report should be signed off showing approval and these reports should be maintained for outside verification. Currently, no action has been taken by management on this issue.

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June 21, 2005

To the Township Board
Sims Township
Au Gres, Michigan

Comments for the current year:

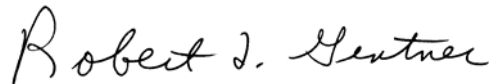
BUDGETS

The Township is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are required to be adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. In the current year no budgets were adopted for the police, mosquito, fire, and gypsy moth funds. We recommend annual budgets be adopted for these funds to be in compliance with the Uniform Budgeting Act.

Our firm appreciates the opportunity to serve Sims Township and would like to thank the management and staff for their cooperation during our engagement.

Very truly yours,

YEO & YEO, P.C.
CPAs and Business Consultants

A handwritten signature in cursive script that reads "Robert L. Gentner".

Robert L. Gentner

RLG:mg